

Message Text

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ORIGIN OPIC-06

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R 062002Z JUN 75

FM SECSTATE WASHDC

TO AMEMBASSY MANILA

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E.O. 11652: N/A

TAGS: EFIN, RP

SUBJECT: OPIC GUARANTEE OF DBP LOAN

REFS: A) STATE 126636; B) MANILA 7234; C) MANILA 7661

1. THE OVERRIDING POLICY ISSUE REFERRED TO IN REF A CAUSING POSTPONEMENT OF BOARD ACTION UNTIL JULY MEETING WAS THE "CROWDING OUT" THEORY, I.E., USG HAS SO MUCH FINANCING TO DO THIS FISCAL YEAR THAT PRIVATE BORROWERS COULD BE FORCED OUT OF THE MARKET. THUS, OPIC GUARANTY OF DEVELOPMENT BANK LOANS COULD IMPOSE A FURTHER BURDEN ON THE CAPITAL MARKETS. ALSO OPIC BOARD NOT AT FULL STRENGTH WHEN MATTER CAME UP WITH DIRECTORS ABSENT WHO OPIC BELIEVES ARE FAVORABLE TO THE PROJECT.

2. IN VIEW OF EMBASSY'S PREFERENCE TO DEFER COMMENTS FOR TIME BEING, DEPARTMENT DID NOT SUPPORT PROJECT AT OPIC BOARD MEETING. IF THERE ARE ISSUES THAT YOU BELIEVE WE SHOULD RAISE WITH OPIC, PLEASE INFORM US WELL IN ADVANCE OF THE JULY 21 BOARD MEETING.

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3. DURING RECENT MANILA VISIT, OPIC OFFICIAL RECEIVED

HIGHLY FAVORABLE COMMENT ON PROPOSED GUARANTY FROM SECFIN

VIRATA, BOI CHAIRMAN PATERNO, AND CENTRAL BANK DEP GOV BRINAS. WOULD APPRECIATE ANY FURTHER DETAILS EMBASSY CAN PROVIDE ON POLICY QUESTIONS GOP LIKELY TO RAISE, AND WHETHER THESE LIKELY TO OUTWEIGH ENDORSEMENTS ALREADY RECEIVED.

4. STANDARD PROCEDURE FOR OBTAINING FOREIGN GOVERNMENT APPROVAL (FGA) IS FOR THE FOREIGN ENTERPRISE TO SEEK IT FROM HOST GOVERNMENT. IN THIS UNUSUAL CASE THE DBP, NOT A U.S. INVESTOR, WOULD BE THE RECIPIENT OF OPIC GUARANTY AND WOULD BE EXPECTED TO SEEK APPROVAL FROM NEDA. ASSUME DBP WOULD PREFER TO HANDLE GOP CLEARANCE ON ITS OWN AND, THEREFORE, THAT EMBASSY NEED NOT RAISE MATTER OFFICIALLY WITH NEDA AT THIS TIME. HOWEVER, IT MAY BE HELPFUL TO ADVISE DBP OF REQUIREMENT THAT OPIC HAVE FGA BEFORE GUARANTEE CAN BE MADE EFFECTIVE, AND WE SEE NO OBJECTION TO EMBASSY'S SEEKING NEDA AND OTHER GOP VIEWS ON INFORMAL BASIS.

5. WOULD ALSO APPRECIATE ANY REACTION OF GOP TO OPIC DEFERRAL. KISSINGER

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Message Attributes

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